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Message Text

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22
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 /080 W
---------- 039256
R 271043Z JUL 76
FM AMEMBASSY KABUL
TO SECSTATE WASHDC 8662
INFO AMEMBASSY ISLAMABAD
AMEMBASSY TEHRAN

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E.O. 11652: NA
TAGS: EFIN, AF
SUBJECT: AFGHAN BANK NATIONALIZATION

1. KABUL TIMES, LOCAL GOVERNMENT-CONTROLLED ENGLISH LANGUAGE DAILY, CARRIED ARTICLE JULY 22 THAT CHARTERS FOR THE TWO AFGHAN COMMERCIAL BANKS, BANKE MILLE AND PASHTANY TEJARATY, HAD BEEN APPROVED BY HEAD OF STATE, IN FIRST OF SERIES OF STEPS TO IMPLEMENT NATIONALIZATION OF BANKING SECTOR. SUBSEQUENT CONVERSATIONS BETWEEN ECON/COMM COUNSELOR AND SENIOR BANKING OFFICIALS HAVE DEVELOPED FURTHER DETAILS OF RATHER BARE-BONES KABUL TIMES ACCOUNT.

2. ALTHOUGH TEXTS OF CHARTERS (ARTICLES OF ASSOCIATION) HAVE NOT REPEAT NOT BEEN MADE AVAILABLE TO THE BANKS CONCERNED, THEY ARE NOT EXPECTED, ON THE WHOLE, TO DEVIATE SIGNIFICANTLY FROM THE COMMERCIAL CHARTERS UNDER WHICH THE BANKS ARE PRESENTLY OPERATING. EACH BANK WILL HAVE A BOARD OF DIRECTORS COMPOSITION NOT YET KNOWN BUT PROBABLY CONSISTING OF DISTINGUISHED PRIVATE CITIZENS. (IT HAD BEEN CONSIDERED THAT THE BOARDS WOULD BE COMPOSED OF DEPUTY MINISTERS FROM FINANCE, COMMERCE,
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PLANNING, AND THE CENTRAL BANK, BUT THIS COURSE HAS EVIDENTLY

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BEEN REJECTED BY THE CABINET.) BANK PRESIDENTS, WHO WILL ALSO HEAD THE BOARDS OF DIRECTORS, WILL BE APPOINTED BY THE MINISTER OF FINANCE. OTHER BANK OFFICERS WILL BE APPOINTED BY THE BANK PRESIDENT, SUBJECT TO APPROVAL OF THE MINISTER.

3. UNTIL NEW PRESIDENTS ARE APPOINTED, BOTH PASHTANY AND MILLE ARE UNDER THE CONTROL OF THE ACTING GOVERNOR OF THE DA AFGHANISTAN BANK, MOHAMMAD HAKIM. M.J. MOKHTARZADA, THE CONTROVERSIAL FORMER PRESIDENT OF BANKE MILLE, WAS DISMISSED EFFECTIVE JULY 22, BUT ALL OTHER OFFICIALS ARE STILL IN PLACE CARRYING ON BUSINESS AS USUAL. OFFICERS OF OFFICIAL BANKS, E.G. INDUSTRIAL DEVELOPMENT, EXPORT PROMOTION, AGRICULTURE, AND MORTGAGE AND CONSTRUCTION REMAIN UNCHANGED.

4. THE THORNY QUESTION OF SALARY SCALES FOR BANK EMPLOYEES IS STILL NOT SETTLED, BUT BANK OFFICIALS HAVE BEEN ASSURED THAT SPECIAL BANKING SCHEDULES WILL BE ESTABLISHED AND THAT THEY WILL BE "EQUITABLE". (HAKIM HAS ASSURED FAZL KHAIRZADA, SENIOR VICE-PRESIDENT OF MILLE, THAT SALARY LEVELS "WILL IN NO CASE BE LOWERED.") COMPENSATION FOR STOCKHOLDERS LIKEWISE IS UNSETTLED, BUT IS LIKELY TO BE A MIX OF CASH PAYMENTS AND GOVERNMENT BONDS, ALTHOUGH SOME FORM OF EXCHANGE OF EQUIVALENT STOCKS IS NOT RULED OUT. SINCE MILLE HAS EXTENSIVE INDUSTRIAL HOLDINGS(EXCEEDING AFS 700 MILLION), INCLUDING MAJORITY HOLDINGS IN AFGHAN TEXTILE COMPANY AND THE BAGHLAN SUGAR MILL, THE COMPENSATION QUESTION IS ONE OF SOME COMPLEXITY AND DELICACY, AND WILL UNDOUBTEDLY BE THE LAST STEP IN THE NATIONALIZATION PROCESS.

5. COPIES OF THE NEW CHARTERS WILL BE POUCHED TO THE DEPARTMENT WHEN AVAILABLE.
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